

AR48

ATLAS

EXPLORATIONS
LIMITED



SIXTH
ANNUAL REPORT

1971

ATLAS EXPLORATIONS LIMITED AND SUBSIDIARY COMPANIES

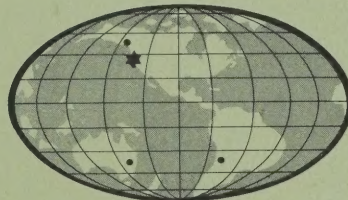
STATEMENT OF SOURCE
AND USE OF WORKING CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 1971
(Subject to Audit)

	1971 \$	1970 \$
SOURCE		
Mining Operation	(24,281)	122,312
Oil & Gas Operation	(50,263)	(27,713)
Write-up of marketable securities to quoted value	485,215	-
Gain (loss) on sale of marketable securities	(23,821)	16,388
Gain on sale of fixed assets	60,760	-
	<u>447,610</u>	<u>110,987</u>
USE		
Fixed assets — net	-	81,112
Participation in exploration joint ventures	3,683	288,059
Exploration costs	3,407	4,328
General administration costs	46,288	-
	<u>53,378</u>	<u>380,442</u>
INCREASE (DECREASE) in WORKING CAPITAL	394,232	(269,455)
WORKING CAPITAL — BEGINNING OF PERIOD	189,747	1,156,444
WORKING CAPITAL — END OF PERIOD	583,979	886,989
REPRESENTED BY:		
Current assets	1,693,232	1,932,457
Less: Current liabilities	1,109,253	1,045,468
WORKING CAPITAL	583,979	886,989

ATLAS EXPLORATIONS LIMITED

and Subsidiary Companies

330 — 355 BURRARD STREET
VANCOUVER, B.C.
CANADA



INTERIM REPORT

JUNE 30, 1971

STATEMENT OF CONSOLIDATED EARNINGS
AND STATEMENT OF SOURCE AND USE OF
WORKING CAPITAL
FOR THE SIX MONTHS ENDING
JUNE 30, 1971

ATLAS EXPLORATIONS LIMITED

To our Shareholders:

Mineral Exploration

In the Anvil district, Yukon, a \$100,000 program of regional geologic mapping, geochemical and ground electromagnetic surveys is currently underway on Company properties under a joint venture agreement with Dynasty Explorations. The program is fully financed and operated by Dynasty in return for an 80% interest and the Company has retained the right to re-establish a 40% interest by paying 200% of its required contribution at the end of 1971.

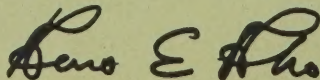
Diamond drilling has recently commenced on two other Yukon properties under joint venture agreements; the Max porphyry copper molybdenum prospect operated and financed by Imperial Oil Enterprises Ltd. and the CAB Tungsten prospect operated and financed by the Caltor Syndicate.

On the Sierra Gorda copper molybdenum property, negotiations are continuing with a Chilean Government agency regarding their participation and financing of the next 2.5 million dollar feasibility stage.

Oil & Gas

Gas production recommended from Lake Erie Wells 1, 4, 5 & 6 in May 1971. Production is currently averaging 1,800,000 cu. ft. per day, being slightly below contract levels for the summer months. Though long delayed, the Company optimistically anticipates a favourable reply from the Minister of Mines for Ontario to the Company's request to test and re-open the currently suspended Wells #7 and #12.

The unitisation of the Willey Oil Field, Dunwich Township, Ontario is now underway and operations are expected to be functioning normally in August. The Company's interest has been established at 10.67% which is estimated to return net revenues of \$50,000 per year for the first six years of operation and \$15,000 per year for the ensuing six years.



Aaro E. Aho
President.

August 2, 1971

ATLAS EXPLORATIONS LIMITED AND SUBSIDIARY COMPANIES

STATEMENT OF CONSOLIDATED EARNINGS FOR THE SIX MONTHS ENDED JUNE 30, 1971 (Subject to Audit)

	1971 \$	1970 \$
MINING — CHILE		
Net production revenue	(13,045)	316,005
Operating expenses	<u>11,236</u>	<u>193,694</u>
Working capital used (provided)	<u>24,281</u>	(122,311)
Other expenses		
Depreciation	-	86,459
Pre-production amortization	<u>-</u>	<u>84,367</u>
	-	170,826
Net loss from mine operation	<u>24,281</u>	<u>48,515</u>
OIL AND GAS		
Net production revenue	47,358	87,138
Operating expenses	<u>97,621</u>	<u>114,851</u>
Working capital used	<u>50,263</u>	<u>27,713</u>
Other expenses		
Depreciation	21,900	54,107
Pre-production amortization	<u>7,666</u>	<u>19,532</u>
	<u>29,566</u>	<u>73,639</u>
Net loss from gas and oil operation	<u>79,828</u>	<u>101,352</u>
GENERAL ADMINISTRATION COSTS		
General Administration costs not allocated to operations	46,288	-
Loss for the year before Extraordinary Items	<u>156,398</u>	<u>149,867</u>
Extraordinary Items		
Write-up of marketable securities to quoted values	485,215	-
Gain on sale of fixed assets	60,766	-
Loss on sale of marketable securities	<u>(23,821)</u>	<u>-</u>
INCOME (LOSS) FOR THE PERIOD	<u><u>371,757</u></u>	<u><u>(149,867)</u></u>
Earnings (loss) per share	7c	(3c)

ATLAS EXPLORATIONS LIMITED

Suite 330 - 355 Burrard St.

Vancouver 1, British Columbia

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

TAKE NOTICE that the Annual General Meeting of the shareholders of Atlas Explorations Limited (hereinafter called the "Company"), will be held in the Vancouver Island Room of the Hotel Vancouver, 900 West Georgia Street, Vancouver, British Columbia, Canada, on Tuesday, the 18th day of May, 1971 at the hour of two o'clock in the afternoon (Local Time) for the following purposes:

1. To receive the report of the Directors to the Shareholders and the comparative consolidated Financial Statements of the Company including the Auditors' Report thereon;
2. To elect Directors for the ensuing year;
3. To appoint Auditors for the ensuing year and to authorize the Directors to fix their remuneration.
4. To consider and to adopt an Ordinary Resolution to confer general authority on the Directors to take or acquire securities in other corporations by purchase or otherwise.

The report of the Directors and the comparative consolidated Financial Statements for the fiscal year ended 31 December 1970 and the Auditors' Report thereon form part of the Annual Report of the Company, a copy of which accompanies this Notice.

Shareholders who are unable to attend the meeting in person and who wish to ensure that their shares will be voted at the meeting are requested to complete, sign and mail the enclosed proxy in accordance with the instructions set out in the proxy.

An Information Circular accompanies this Notice.

DATED at Vancouver, British Columbia this 5th day of May, 1971.

By Order of the Board,

JOHN BRUK,
Secretary.

ATLAS EXPLORATIONS LIMITED

Suite 330 - 355 Burrard Street
Vancouver 1, British Columbia

INFORMATION CIRCULAR

AS AT 19 APRIL, 1971 FOR THE ANNUAL GENERAL MEETING OF SHAREHOLDERS TO BE HELD ON TUESDAY, THE 18TH DAY OF MAY, 1971.

Solicitation of Proxies

This information circular is furnished in connection with the solicitation by the management of ATLAS EXPLORATIONS LIMITED (the "Company") of proxies to be used at the Annual General Meeting of Shareholders of the Company to be held at the time and place and for the purposes set forth in the accompanying Notice of Meeting. The cost of solicitation by the management will be borne by the Company.

Appointment and Revocation of Proxies

The persons named in the enclosed form of proxy are the President and the Secretary of the Company. A SHAREHOLDER DESIRING TO APPOINT SOME OTHER PERSON TO REPRESENT HIM AT THE MEETING HAS THE RIGHT TO DO SO, either by inserting such person's name in the blank space provided in the form of proxy or by completing another proper form of Proxy and, in either case, delivering the completed proxy to Guaranty Trust Company of Canada, at its offices at 540 Burrard Street, Vancouver, British Columbia, not less than 48 hours (excluding Saturdays and holidays) before the person named therein purports to vote in respect thereof.

A Shareholder who has given a proxy may revoke it either (a) by signing a proxy bearing a later date and delivering it to Guaranty Trust Company of Canada at its said offices not less than 48 hours (excluding Saturdays and holidays) before the person named in the proxy already given purports to vote in respect thereof; or (b) as to any matter on which a vote has not already been cast pursuant to the authority conferred by such proxy, by signing written notice of revocation and delivering it to Guaranty Trust Company of Canada at its said offices at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, or to the Chairman of the meeting on the day of the meeting.

Exercise of Discretion by Proxies

The persons named in the enclosed form of proxy will vote the shares in respect of which they are appointed in accordance with the direction of the Shareholders appointing them. IN THE ABSENCE OF SUCH DIRECTION, SUCH SHARES WILL BE VOTED FOR ADOPTION OF THE ORDINARY RESOLUTION APPROVING THE CONFERRING OF GENERAL AUTHORITY ON THE DIRECTORS TO TAKE OR ACQUIRE SECURITIES IN OTHER CORPORATIONS AS SET FORTH IN ITEM 4 OF THE NOTICE OF MEETING AND FOR THE ELECTION OF DIRECTORS AND THE APPOINTMENT OF AUDITORS AS STATED UNDER THOSE HEADINGS IN THIS CIRCULAR. The enclosed form of Proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters which may properly come before the meeting.

At the time of printing this circular the management of the Company knows of no such amendment, variations or other matters.

Voting Shares

On 19 April, 1971, 4,959,262 ordinary shares of a par value of 50c each of the Company were issued and outstanding as fully paid and nonassessable, each share carrying the right to one vote.

To the knowledge of the Directors and Senior Officers of the Company, no person or company beneficially owns shares carrying more than 10% of the voting rights attached to all outstanding shares of the Company, except Dynasty Explorations Limited, 355 Burrard Street, Vancouver, B.C., which beneficially owns 1,200,166 shares representing 24.2% of the outstanding shares of the Company.

Any person or company registered as a Shareholder of the Company at the commencement of the meeting will be entitled to vote at the meeting.

Election of Directors

The Board presently consists of four directors whose names are set forth below and who will be nominated for election at the Meeting. The persons named in the enclosed form of Proxy intend to vote for the election of these nominees. The management does not contemplate that any of the nominees will be unable to stand for election but if that should occur, the persons named in the enclosed form of Proxy reserve the right to vote in their discretion for another nominee. Each director elected will be entitled to hold office until the next annual general meeting of the Company, unless he is earlier removed from office in accordance with the Articles of Association of the Company. The following table sets out the names of the nominees, all offices with the Company now held by them, their principal occupations, the period of time for which each has been a director of the Company, and the number of shares beneficially owned by each of them, directly or indirectly as of April 19, 1971.

Name, Address and Position Held	Principal Occupation or Employment*	Appointed a Director of the Company	Shares Beneficially Owned
Dr. Aaro E. Aho, 2855 Marine Drive, West Vancouver, B.C. Chairman of the Board President and Director	President of the Company and of Dynasty Explorations Limited, Vancouver, B.C.	November 16, 1965	190,188
R. E. Gordon Davis, 5555 Newton Wynd, Vancouver, B.C. Executive Vice-President and Director	Executive Vice-President of the Company and Executive Vice-President of Dynasty Explorations Limited	November 16, 1965	252,789
John Bruk, 890 Greenwood Road, West Vancouver, B.C. Secretary and Director	Barrister and Solicitor, partner in the firm of Lawrence & Shaw, Vancouver, B.C. Solicitors for the Company	August 8, 1967	1,324
H. Richard Whittall, 6288 MacDonald Street, Vancouver, B.C. Director	Partner in Richardson Securities of Canada, Vancouver, B.C. since September 1, 1966, and prior thereto President of Norman R. Whittall Limited of Vancouver, B.C.	February 27, 1969	100

*The information as to shares beneficially owned is not within the knowledge of the Company and has been furnished by the respective directors.

Remuneration of Directors and Senior Officers

During the year no directors' fees were paid. Aggregate direct remuneration paid or payable by the Company and its subsidiaries for the fiscal year ending December 31, 1970, to the Senior Officers and directors of the Company including consulting companies controlled by them was \$62,326.

During the course of the past fiscal year, a sum of \$47,940 then due from a director of the Company for exploration expenses incurred by a subsidiary of the Company was paid off by the director.

Interest in Material Transactions

The Company entered into an agreement as of May 13, 1970 with Aaro E. Aho, R. E. Gordon Davis and Ronald V. Markham as Assignors whereby the Assignors agreed to transfer to the Company all their right, title and interest in an agreement (the "Hess Agreement") dated April 15, 1967 as amended. In consideration of the assignment, the Company agreed to allot and issue to the Assignors 22,892 shares of its capital stock at a price of \$2.00 per share, representing one share for each \$2.00 advanced by the Assignors pursuant to the Hess Agreement, \$45,786.20 being the total amount advanced by the Assignors. Dr. Aho received 18,314 shares and Messrs. Davis

and Markham each received 2,289 shares. The 22,892 shares have been pooled with Guaranty Trust Company of Canada under a pooling agreement which provides that if the Hess project has not been terminated before May 13, 1975 the shares will be released to the Assignors. If it is terminated before that date the Assignors have agreed to surrender to the Company by way of gift the said 22,892 shares, subject to the Vancouver Stock Exchange having sole discretion to release the shares in whole or in part prior thereto. The Hess agreement created a syndicate to conduct an exploration program and acquire mining properties in the Yukon Territory under the direction of Dr. Aho. Under the Hess agreement as amended, the Company was appointed manager and agreed to provide up to \$300,000 to carry out the Hess project. The funds advanced by the Company will be repayable out of production with interest at the rate of 10% per annum. At the time of the Assignors assigning their interest in the Hess agreement to the Company, the percentage interest of the company was 60%, and the interests of Aho, Markham and Davis totalled 40%. The Company has agreed to reserve out of the interest being acquired from Dr. Aho a 10% interest for distribution to personnel contributing to the Hess project, and the assignment is subject to the provisions of an agreement made as of January 1, 1968 between the Company and the Assignors with Quebec Cartier Mining Company and Philipp Bros. Canada Ltd. whereby the latter two companies may each acquire up to a 30% interest in all mineral properties referred to in the last mentioned agreement.

Messrs. Aho and Davis are directors and senior officers of the Company and at the time of the assignment Mr. Markham was a director of the Company. Mr. Markham's address is 1800 One Bentall Centre, 505 Burrard Street, Vancouver, B.C.

In May, 1970, Messrs. Aho, Davis and Markham agreed to assign at cost, to Cima Mines Limited ("Cima"), a wholly owned subsidiary of the Company, their interests in the Sierra Gorda properties in Chile. Their interests comprised 72 out of 400 units. Dr. Aho assigned 46 units to Cima at his cost of \$35,550; Mr. Davis assigned 18 units at his cost of \$13,445; and Mr. Markham assigned 8 units at his cost of \$5,970.

Originally when the Sierra Gorda Properties became available in 1968 Cima did not have sufficient funds to make the acquisition, and Messrs. Aho, Davis and Markham agreed to make an investment to assist in the acquisition and also encouraged Chilean citizens to participate in the Project. The Sierra Gorda venture has been an exploration success and, depending on developments, and government negotiations, can become a great asset to Cima.

With respect to both the Hess Project and the Sierra Gorda Project, the directors of the Company decided that directors should not individually retain any interests in any projects of the Company, and that the interests of a director should be assigned to the Company or its wholly-owned subsidiary.

The Company has entered into an agreement dated as of January 1, 1969 with Dynasty Explorations Limited ("Dynasty") whereby, among other things, the two companies have agreed to participate in all new projects initiated by either company, with the share interests and cost of each project to be 40% for the Company and 60% for Dynasty, and the two companies have respectively agreed to give to each other the right of first refusal to participate in their respective existing projects. The two companies are located at the same address, have common Boards of Directors and large shareholdings in each other. Under the terms of the agreement Atlas performs administrative, exploration and technical work in connection with the joint projects. The cost to the Company of participation in such joint projects with Dynasty alone during the fiscal year ended December 31, 1970 was \$397,420. The Company also contributed \$70,000 to joint ventures in which third parties were participants in addition to Dynasty. In addition, pursuant to an agreement dated as of January 1, 1970, between the Company and Dynasty, overhead and general administrative expenses incurred by either party for the benefit, in whole or in part, of the other are allocated between the parties in such proportion as the respective directors of the Company and Dynasty may from time to time agree. Dynasty is the only shareholder of the Company which owns more than 10% of the issued shares of the Company. The senior officers of Dynasty and their residence addresses, where not specified above, are Aaro E. Aho, President; R. E. Gordon Davis, Executive Vice-President; Selwyn B. Jones, 4803 - 6th Avenue, Delta, B.C., Vice-President, Corporate; John S. Brock, 3029 Proctor Avenue, West Vancouver, B.C., Vice-President, Exploration; and John Bruk, Secretary. To the knowledge of the Directors and Senior Officers of Atlas, no person beneficially owns, directly or indirectly, shares carrying more than 10% of the voting rights attached to the outstanding shares of Dynasty.

Appointment of Auditors

The persons named in the enclosed form of proxy intend to vote for the re-appointment of McDonald, Currie & Company, Chartered Accountants, Vancouver, B.C., as auditors of the Company to hold office until the next Annual General Meeting of Shareholders and to authorize the Directors to fix their remuneration. McDonald, Currie & Company have been auditors of the Company since its incorporation on the 9th day of November, 1965.

ATLAS EXPLORATIONS LIMITED **and Subsidiary Companies**

DIRECTORS	Dr. Aaro E. Aho, Vancouver, B.C. R. E. Gordon Davis, Vancouver, B.C. John Bruk, West Vancouver, B.C. H. R. Whittall, Vancouver, B.C.
OFFICERS	Dr. Aaro E. Aho, President R. E. Gordon Davis, Executive Vice-President John Bruk, Secretary and General Counsel John S. Brock, Vice President—Exploration Selwyn B. Jones, Vice President—Corporate
HEAD OFFICE	330 - 355 Burrard Street, Vancouver 1, B.C.
SOLICITORS	Lawrence & Shaw, Vancouver, B.C.
AUDITORS	McDonald, Currie & Co., Vancouver, B.C.
TRANSFER AGENT	The Guaranty Trust Company of Canada Vancouver, B.C.
ANNUAL MEETING	Wednesday, May 31st, 1972 at 10 a.m. Patricia Room, Hotel Georgia Vancouver 1, B.C.

ATLAS EXPLORATIONS LIMITED and Subsidiary Companies

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Company's operations in 1971 were severely restricted by the delay in resumption of gas production from its Lake Erie wells resulting in a considerable reduction in cash flow. Stringent limitations were placed on all expenditures and major economies were effected in both exploration and administration. These actions coupled with the sale of a portion of its marketable securities resulted in an increase in working capital at the end of 1971 permitting consideration of further exploration activity in 1972.

By year end, the Company's major investment in shares of Dynasty Explorations Ltd. had shown the start of the upward trend in values which has continued to the present time and which has already added approximately half a million dollars to working capital in 1972.

The prevailing outlook for further increases in the value of the Dynasty investment, the increased re-evaluation of reserve estimates in the Lake Erie gas field, which is dealt with more fully below, and the prospect of increased exploration activity, all indicate an improved position for your Company in 1972.

DYNASTY EXPLORATIONS LIMITED *(5.6% interest)*

Atlas owns 167,100 shares of Dynasty equal to 5.6% of its issued shares. Their value is based mainly upon the operations of the Anvil mine in the Yukon which is 40% owned by Dynasty. In its recent report, Dynasty has advised its shareholders that its earnings from Anvil amounted to 71c per share for 1971 and forecast that anticipated higher metal prices, improving metallurgy and lower operation costs favoured better financial performance in 1972.

Atlas and Dynasty share common boards of directors, staff and premises and operate closely in joint venture exploration activities.

ATLAS OIL & GAS, LIMITED *(wholly owned subsidiary)*

Total gas production from Lake Erie wells in 1971 was 396 million cu. ft. after recommencing production in May following total freeze up during the winter months. This condition again threatened in December of 1971, but was forestalled by the construction of a secondary delivery point which, it is anticipated, will eliminate future recurrence of the problem.

A new well #5 was brought on stream in May 1971 which ameliorated to some degree the adverse effects of the government closure of wells #7 and #12. The Company has now abandoned further efforts to obtain approval to the re-opening of these two wells since further negotiations would have proved costly with limited possibility of encouraging the Ontario Government to assume a more realistic attitude.

Unitisation of the Willey Oil Field in southwestern Ontario and institution of a secondary recovery waterflood program was completed in 1971 and the field is now approaching forecast production levels. Atlas' interest in the field is 10.684%.

The Company's consultants have recently completed a re-evaluation of the gas and oil interests which indicates gas reserves in the Lake Erie field at December 31, 1971 of 5.49 billion cubic feet remaining after production of 750 million cubic feet during 1970 and 1971. Their revised reserves and cash flow estimates are as follows:

Pool or Area	Net Company Reserves		Production Life	Net Cash Flow (Undiscounted) \$
	Oil (STB)	Gas (MMCF)		
Willey Oil Field	180,400	47.8	13 years	332,100
Lake Erie Gas Field	—	5,490.0	12 years	1,227,100
Total	180,400	5,537.8		1,559,200

ATLAS EXPLORATIONS LIMITED and Subsidiary Companies

Atlas holds a total of 51,200 acres in Lake Erie of which roughly 5,120 acres are held under production lease and 46,000 acres under exploration licences.

SIERRA GORDA (64% interest)

Further development of the Sierra Gorda 20 million ton copper/molybdenum deposit in Chile has been delayed by the political and financial uncertainties which have prevailed in that country in 1971. Negotiations are nevertheless continuing aimed at achieving a viable program of investment in and development of this considerable asset.

MINERAL EXPLORATION

The Company is engaged in a wide spectrum of exploration opportunities in areas in which it has extensive knowledge and expertise.

Over the past six years, Atlas and its subsidiaries have expended considerable effort on large-scale mineral exploration in the Yukon Territory. Emphasis has been on the regional approach to exploration involving primary saturation techniques in promising new mineral districts and a number of mineral occurrences with associated geophysical/geochemical targets have been discovered. Further exploration of these properties requires diamond drill testing. It is planned to continue with such programs during 1972 and 1973, but, due to severe budget restrictions, exploration will be carried out mainly through participation with other companies and efforts are now being made to negotiate several joint ventures.

Projects and properties in which the Company presently holds interests are:

Project	Properties	Interest Held
Tintina-Anvil	Echo, Delta, Capa	{ Atlas 20% Dynasty 80%
	Lower Anvil Creek Hoho-Bram	
Tintina	Bot	{ Atlas 40% Dynasty 60%
Fyre Lake	Dub	Atlas 100%
Hess	Scot Lad	{ Atlas 55.4% U.S. Steel 22.2% Philipp Bros 22.2%
Mt. Hundere	P.J., J.P., TU	Atlas 70%
Atsui (95% Atlas)	Cab	{ Atsui 45% Caltor 55%
	Pike	
	Nar	{ Atsui in Joint Venture with Arrow Inter America
Galena Hill	K.P.O. A.A. Leo Shanghai	{ Atlas 90%
Victor	Bid	{ Atlas 40% Dynasty 60%

ATLAS EXPLORATIONS LIMITED and Subsidiary Companies

Project	Properties	Interest Held
	Vina	{ Atlas 40% Dynasty 60%
	Max	{ Atlas 32% Dynasty 48% Imperial Oil 20%

Tintina-Anvil Project

During 1964 and 1965 Dynasty Explorations carried out an exploration program in the Anvil area. A combination of geologic, geochemical and geophysical survey methods led to the discovery of the Faro deposit, now being mined by Anvil Mining Corporation. Since 1970, Dynasty, in conjunction with Atlas Explorations, has continued to explore the Anvil area utilising more sophisticated geochemical-geophysical survey methods.

Based on the distribution of known near-surface replacement-type lead-zinc ore deposits and the high probability of existence of additional such deposits at depth, or under overburden areas, intensive exploration of the Anvil area is well warranted. Continued exploration over the last two years has been based on an improved knowledge of the district gained from a re-evaluation of earlier exploration data, current exploration results available from Anvil Mining Corporation and development of improved exploration methods. Approximately \$200,000 was spent in 1970 and 1971 on the renewed program in the Anvil area involving large-scale property acquisition and ground followup. The joint venture holds two major groups of claims within the Anvil area and considerable exploration has been undertaken on all claims including geologic mapping, magnetic and electromagnetic surveys, gravity survey coverage and soil and silt sampling.

East Sector—278 claims (Hoho-Bram, Echo, Delta, Capa)

This area is thought to be the most promising for new discoveries of lead-zinc sulphides. Geologic mapping of the region has indicated the presence of rock units similar to those which contain the Anvil, Vangorda and Swim deposits. The next phase of exploration will involve detailed deep drilling of E.M. conductors and favourable stratigraphy, at a cost of \$250,000.

West Sector—207 claims (Roto, Jean, Gran, Lorna)

Rock types similar to the Anvil, Vangorda and Swim deposits are not exposed in this area, which is mainly covered by overburden, yet its proximity to the Faro deposit and other recent properties of merit make these holdings attractive for further work. Diamond drilling of geophysical targets is proposed for a cost of \$100,000.

Additional joint venture participation is now being sought for continuation of proposed exploration through 1972.

Hess Project

Scot Group

The Scot mineral claims, located in a geological environment similar to the Hudson Bay Mine Tom lead-zinc deposit, is a zinc prospect of considerable merit.

ATLAS EXPLORATIONS LIMITED and Subsidiary Companies

The main area of interest consists of a zinc anomaly in soils with maximum values of 100,000 parts per million. Gravity survey coverage completed during the 1971 field season on this overburden covered property defined a 0.9 milligal anomaly, closely coincident with the geochemical anomaly. A budget of \$50,000 has been approved by joint venture partners for diamond drilling to be carried out in 1972.

Atsui Project

Cab Group

The Cab Group of 108 claims is located along a newly discovered tungsten belt in the Pelly Mountain, 36 miles west of Ross River.

The property covers a zone of mineralized skarn which has been traced continuously for 4100 feet along strike. Preliminary chip sampling has indicated an average grade of .61% tungsten across widths of up to 20 feet. Assays of grab samples run as high as 7.37% tungsten. It is anticipated that this zone of mineralization may be traced for some additional distance along strike and extensions at depth are yet to be tested.

Exploration of the property was continued through 1971 under a joint venture exploration agreement with Caltor Syndicate. Approximately 3500 feet of diamond drilling was carried out to evaluate down-dip continuity and grade of known occurrences.

Two holes intersected mineralization of economic interest. Hole 1 cut 18.2 feet of 0.66% WO_3 and Hole 4 cut 12.9 feet of 1.26% WO_3 . Four other holes intersected scheelite mineralization of sub-economic grade.

Further drilling has been recommended to explore the potential of the No. 2 showing. Additional holes are also proposed for the No. 1 showing to obtain a good cross-sectional sample and indication of grade. To date \$140,000 has been spent on the property and continued exploration is recommended for a cost of \$100,000.

Nar Group

The Nar property of 12 claims southeast of Pelly Lakes covers considerable copper-lead-zinc-silver replacement and vein type mineralization discovered next to a granite stock. Selected grab samples assay 1.9 to 2.5% copper, 6.6 to 38.9% combined lead and zinc, and 0.91 to 118.9 oz/ton silver. The full extent of this promising prospect is still to be determined since only preliminary prospecting has been done.

Continued exploration will be carried out in 1972 under a joint venture agreement with Arrow Inter-America Corporation.

Tintina Project

Bot Group

Discovery by Atlas of chrysotile asbestos in serpentine float led to the staking of the Bot Group in 1969. Subsequent work has led to the discovery of five surface showings containing asbestos fibre. Geologic mapping prospecting and sampling of the claims and adjacent areas and magnetometer

ATLAS EXPLORATIONS LIMITED and Subsidiary Companies

surveys have been completed. A small program of bulldozer trenching is required before any meaningful evaluation of the property can be made. Examination of the property by prospective joint venture partners will be carried out this year.

Galena Hill Project

K.P.O., A.A., Leo and Shanghai Claims

In the well-known Keno Hill silver-lead-zinc district of Yukon intensive exploration in the early 1960's indicated excellent possibilities of finding more rich silver-lead deposits under an extensively overburden-covered portion of the favourable section of the district. Although the properties are difficult to explore because of lack of definitive geophysical and geochemical targets, rotary-percussion drilling is proposed through a joint venture program to test probable extension of favourable structure from the United Keno Hill camp.

The Shanghai mineral claims, located across the McQuesten Valley from the Galena Hill area, have been extensively explored by an underground program. Several small high-grade ore shoots suitable for a small 'high grade' mining operation were mined for a short period of time during 1971 while the Shanghai property was under lease to a small mining concern.

Victor Project

Max Group


Within the last three years the Dawson Range area of Yukon was revealed as a major porphyry copper belt. In 1969, in joint venture with Dynasty Explorations, the Victor Project was organised to explore the Dawson Range. During 1971, one prospect, the Max, was diamond drilled under joint venture with Imperial Oil Enterprises, who have now earned a 20% interest in the property.

OUTLOOK

Atlas will continue its efforts to encourage joint venture participation in exploration of its mineral holdings in Yukon including the Pay, Pike, Mount Hundere and Fyre Lake properties.

Notwithstanding the economic uncertainties occasioned by new taxation and land use legislation and their adverse effect upon exploration capital availability in Canada, and the political and financial uncertainties abroad, your directors look toward 1972 with increased optimism in the light of the steadily increasing values of the Company's assets.

We wish to thank our associates and shareholders for their co-operation in the past difficult year and their continued support in the year ahead.




April 24th, 1972

AARO E. AHO
President

ATLAS EXPLORATIONS LIMITED
CONSOLIDATED
as at December 31, 1971

ASSETS			
		1971	1970
		\$	\$
CURRENT ASSETS			
Cash		22,082	40,980
Marketable securities [notes 3 and 8(b)]		994,245	1,095,117
Accounts receivable [note 8(b)]		55,988	150,855
Concentrate settlements receivable—at estimated net realizable value		—	12,442
Concentrate inventories—at estimated net realizable value		—	39,549
Mine materials and supplies—at cost		—	28,500
		<u>1,072,315</u>	<u>1,367,443</u>
INVESTMENTS (notes 1 and 4)		118,589	10,000
PARTICIPATION IN EXPLORATION JOINT VENTURES (notes 1 and 5)		1,267,843	1,268,303
MINERAL PROPERTIES AND RELATED COSTS [notes 1, 6 and 8(b)]		2,862,705	3,071,342
FIXED ASSETS [notes 7 and 8(b)]		925,333	1,199,198
ORGANIZATION COSTS		8,729	9,616
		<u>6,255,514</u>	<u>6,925,902</u>

SIGNED ON BEHALF OF THE BOARD

 Director

 Director

AND SUBSIDIARY COMPANIES
BALANCE SHEET
December 31, 1971

LIABILITIES			
	1971	1970	
	\$	\$	
CURRENT LIABILITIES			
Bank advances		595,644	
Accounts payable and accrued liabilities	130,264	249,045	
Current portion of long-term debt	650,000	333,000	
	780,264	1,177,689	
LONG-TERM DEBT (note 8)	853,750	667,000	
MINORITY INTEREST in net assets of consolidated subsidiary companies	248,022	310,225	
	1,882,036	2,154,914	
SHAREHOLDERS' EQUITY			
CAPITAL STOCK (note 9)			
Authorized—			
10,000,000 shares of the par value of 50c each			
Issued and fully paid—			
4,959,262 (1970—4,959,262) shares	2,479,631	2,479,631	
SURPLUS	1,893,847	2,291,357	
	4,373,478	4,770,988	
	6,255,514	6,925,902	

NOTE: The 1970 figures are presented on a basis comparative with 1971.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Atlas Explorations Limited and subsidiary companies as at December 31, 1971 and the statements of consolidated surplus, earnings and source and use of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1971 and the results of their operations and the source and use of their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, B.C.
March 27, 1972

McDonald, Currie & Co.
Chartered Accountants

ATLAS EXPLORATIONS LIMITED AND SUBSIDIARY COMPANIES
STATEMENT OF CONSOLIDATED EARNINGS
for the year ended December 31, 1971

	1971 \$	1970 \$
MINING		
Net revenue from concentrates produced		433,337
Operating costs		361,261
Operating profit		72,076
Other expenses:		
Administration		103,367
Interest		4,737
Depreciation		174,219
Amortization of preproduction costs		158,664
		440,987
Loss from mining operation		368,911
OIL AND GAS		
Net revenue from gas and crude oil sales	149,199	151,929
Operating costs	73,601	122,150
Operating profit	75,598	29,779
Other expenses:		
Administration	25,001	80,144
Interest on long-term debt	77,383	94,411
Depreciation	79,939	70,122
Amortization of preproduction costs	25,531	23,915
	207,854	268,592
Loss from oil and gas operations	132,256	238,813
LOSS FOR THE YEAR BEFORE OTHER INCOME AND EXPENSE ..	132,256	607,724
OTHER (INCOME) AND EXPENSE		
Costs relating to mineral properties and joint venture participation abandoned	145,905	97,458
Loss (gain) on disposal of marketable securities	22,819	(65,812)
Write-(up) down of marketable securities to market value at end of year	(58,485)	316,833
Other	1,313	5,087
	111,552	353,566
LOSS FOR THE YEAR BEFORE EXTRAORDINARY ITEMS (loss per share: 1971—5¢; 1970—19¢)	243,808	961,290
EXTRAORDINARY ITEMS		
Preproduction and mineral property costs of Chilean mine written-off [note 6(c)]	—	678,526
Costs of closing Chilean mine	153,702	18,039
Provision for non-recovery of gas exploration costs	—	1,300,000
	153,702	1,996,565
LOSS FOR THE YEAR (loss per share: 1971—8¢; 1970—60¢)	397,510	2,957,855

ATLAS EXPLORATIONS LIMITED AND SUBSIDIARY COMPANIES
STATEMENT OF CONSOLIDATED SOURCE AND USE OF WORKING CAPITAL
for the year ended December 31, 1971

	1971 \$		1970 \$
SOURCE			
Capital stock issued	—		45,786
Reclassification of bank advances	186,750		—
Deposits and loans	—		86,060
Fixed asset sales	63,410		55,988
	<u>250,160</u>		<u>187,834</u>
USE			
Operations	49,725		461,893
Mineral properties—			
Oil and gas exploration	33,467		14,294
Mining exploration	58,691		2,481
Joint ventures—			
Mining exploration	6,748	1,364,692	
Deduct: received from joint venture partners	1,866	4,882	596,757
		<u>767,935</u>	
Advances to affiliated company	1,098		
Fixed asset purchases			76,450
Organization costs			2,649
	<u>147,863</u>		<u>1,154,524</u>
INCREASE (DECREASE) IN WORKING CAPITAL	102,297		(966,690)
WORKING CAPITAL—BEGINNING OF YEAR	189,754		1,156,444
WORKING CAPITAL—END OF YEAR	292,051		189,754
REPRESENTED BY:			
Current assets	1,072,315		1,367,443
Current liabilities	780,264		1,177,689
WORKING CAPITAL—END OF YEAR	292,051		189,754

ATLAS EXPLORATIONS LIMITED AND SUBSIDIARY COMPANIES
STATEMENT OF CONSOLIDATED SURPLUS
for the year ended December 31, 1971

	1971 \$	1970 \$
CONTRIBUTED SURPLUS—BEGINNING OF YEAR	<u>6,512,779</u>	<u>6,401,361</u>
Change during year—		
Excess of proceeds of issue of shares over par value:		
Cash		77,078
Additional interest in a joint venture		<u>34,340</u>
		111,418
CONTRIBUTED SURPLUS—END OF YEAR	<u>6,512,779</u>	<u>6,512,779</u>
DEFICIT—BEGINNING OF YEAR	<u>4,221,422</u>	1,263,567
Loss for the year	<u>397,510</u>	2,957,855
DEFICIT—END OF YEAR	<u>4,618,932</u>	4,221,422
SURPLUS—END OF YEAR	<u>1,893,847</u>	<u>2,291,357</u>

ATLAS EXPLORATIONS LIMITED AND SUBSIDIARY COMPANIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 1971

1. VALUES

The amounts shown for investments, participation in exploration joint ventures and mineral properties and related costs represent costs incurred to date and are not intended to reflect present or future values.

2. PRINCIPLES OF CONSOLIDATION

(a) The consolidated financial statements include the accounts of all subsidiary companies, namely:

- (i) Producing company—
Atlas Oil and Gas Limited.
- (ii) Exploration companies—
Atlas Explorations (Australia) Limited
Cima Mines Limited
Mt. Hundere Mines Limited (N.P.L.)
Atsui Mining Corporation Limited (N.P.L.)
Fortin Mining Corporation Limited (N.P.L.)

(b) The bases for conversion of foreign currency are as follows:

- (i) Current assets and current liabilities—at exchange rates at December 31, 1971.

ATLAS EXPLORATIONS LIMITED AND SUBSIDIARY COMPANIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 1971

- (ii) Participation in exploration joint ventures and fixed assets—at exchange rates when incurred, acquired or constructed.
- (iii) Revenue, operating costs and mineral property costs at average exchange rates for the year, except for depreciation and amortization which are converted at the rates effective on the dates on which the expenditures on the related assets were made.
- (c) The excess of the net book values of the subsidiary companies over the cost of shares at the dates that control was acquired (\$809,753) has been allocated to mineral properties and related costs.

3. MARKETABLE SECURITIES

At December 31, 1971 the Company held 167,100 shares of Dynasty Explorations Limited recorded in the accounts at market value of \$994,245 (\$5.95 per share) which is lower than cost. Because of the large number of shares held, the amount shown for market value of these holdings is not necessarily indicative of their value.

4. INVESTMENTS

At December 31, 1971 the Company owned 303,750 shares of Risby Tungsten Mines Ltd. (N.P.L.), a private company, at a cost of \$107,491 and had made cash advances of \$1,098 without interest or fixed repayment terms for a total investment of \$108,589. Risby Tungsten has issued 750,002 shares of its capital stock and is involved in exploration and development of 106 mineral claims in the Yukon Territory. In addition the Company holds other sundry investments at a cost of \$10,000.

5. PARTICIPATION IN EXPLORATION JOINT VENTURES

	Companies' equity in joint venture	Cost \$
(a) Canada		
S.W. Ontario (oil and gas exploration)		
Sombra	33%	66,277
Yukon Territory (mining exploration)		
Hess	55%	168,993
Victor	40%	215,016
Tintina-Anvil	20%	33,615
Tintina	40%	126,070
Other	various %	22,243
		<u>632,214</u>
(b) Chile (mining exploration)		
Sierra Gorda	63%	635,629
		<u>1,267,843</u>

Pursuant to the amendment of article 10 N°10 of the Political Constitution of the Republic of Chile, the ownership of all mining properties belongs to the state. Until a new law determines the manner, conditions and effects on the mining concessions referred to in the above mentioned article 10, the holders of mining rights will be governed by present legislation, as concessionaries.

Negotiations are continuing with the Chilean government and to date indicate that the present 63% equity will be reduced to some percentage less than 50%; the percentage to be agreed upon will relate to future financial participation.

Atlas Explorations Limited entered into an agreement with Dynasty Explorations Limited whereby the companies can participate in all new projects initiated by either company with share interest and costs of each project to be sixty per cent (60%) for Dynasty and forty per cent (40%) for Atlas. In addition, Dynasty and Atlas gave each other the right of first refusal to participate in their existing projects.

ATLAS EXPLORATIONS LIMITED AND SUBSIDIARY COMPANIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 1971

6. MINERAL PROPERTIES AND RELATED COSTS

(a) Cost of properties and exploration and development expenditures are as follows:

			\$
Preproduction (developed oil and gas properties, S.W. Ontario)			
Balance—beginning of year as previously reported	292,322		
Reclassification of 1970 amortization	34,993		
Balance—beginning of year as restated	327,315		
Add: Expenditures during the year	33,467		
	360,782		
Less: Amortization for the year	25,531		
Balance—end of year		335,251	
Exploration (mining properties, Yukon Territory)			
Balance—beginning of year as previously reported	2,779,020		
Reclassification of mineral properties costs and minority interest	62,202		
Balance—beginning of year as restated	2,716,818		
Add: Expenditures during the year	58,691		
	2,775,509		
Less: Portion transferred to participation			
in exploration joint ventures (note 5)	66,277		
Costs relating to mineral properties abandoned	74,287		
Portion capitalized as investment in affiliated company			
upon transfer of 106 mineral claims (note 4)	107,491	248,055	2,527,454
Total			2,862,705

(b) The Companies have established a policy of charging amortization of preproduction expenditures to earnings on a unit of production basis.

(c) On November 3, 1970 the Company ceased its mining operation in Chile.

(d) The Company has gas and oil properties in Lake Erie and in Dunwich Township, Ontario. Based upon the report dated March 13, 1972 of the petroleum engineering firm operating these properties, the estimated gas reserves of the 100% owned Lake Erie field are 5.49 billion cubic feet of gas and for the interest in the Willey Oil field, Dunwich Township, the estimated reserves are 180,400 barrels of oil and 47.8 million cubic feet of gas. This report estimated the net undiscounted cash flow for 12 years to be \$1,227,100 for the Lake Erie field and \$332,100 for the interest in the Willey Oil field for a total of \$1,559,200.

7. FIXED ASSETS

Cost of buildings, equipment, pipeline, land and related accumulated depreciation and amortization are:

		1971		1970
	Cost	Accumulated depreciation and amortization	Net	Net
	\$	\$	\$	\$
Pipeline	1,073,263	150,480	922,783	1,037,714
Mining buildings and equipment				117,544
Exploration buildings and equipment	50,746	49,057	1,689	35,079
	1,124,009	199,537	924,472	1,190,337
Land	861		861	8,861
	1,124,870	199,537	925,333	1,199,198

ATLAS EXPLORATIONS LIMITED AND SUBSIDIARY COMPANIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the year ended December 31, 1971

8. LONG-TERM DEBT

	Current \$	Long-term \$
(a) (i) General purpose loan—\$503,750 (\$500,000 U.S.) With interest at the U.S. prime bank rate plus 2% (at December 31, 1971, a total of 7¼ % U.S.) and payable on demand. However, because of the nature of the loan, the company has split the principal balance as follows:	217,747	286,003
(ii) Pipeline loan—\$1,000,000 With interest at the prime bank rate plus 1¼ % (at December 31, 1971, a total of 7¼ %) and payable on demand. However, because of the nature of the loan, the company has split the principal balance as follows:	432,253	567,747
	<u>650,000</u>	<u>853,750</u>

(b) The loans are secured by the assignment of book debts, oil and gas producing properties and the proceeds of production therefrom, and by the pledging of the marketable securities (*note 3*).

9. CAPITAL STOCK

- (a) The Company has agreed to offer Dynasty Explorations Limited 25% of each new issue of the Company's shares on the same terms as offered to others.
- (b) The Company has reserved 131,500 shares for an employees' stock option plan. Under this plan, options on 40,000 shares have been granted at the price of \$1.10 per share expiring at various dates to 1975, all of which are outstanding at December 31, 1971.

10. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Atlas and Dynasty shared management, employees, premises and overhead expenses on the basis that Dynasty incurred these expenses and charged to Atlas its pro rata share. Atlas' portion of the remuneration which was paid to senior officers, including directors, and consulting companies controlled by them amounted to \$15,763.

11. CONTINGENT LIABILITY

At December 31, 1971, \$256,222 has been received in prior years as grants under Northern Mineral Exploration Assistance Regulations. The grants are repayable with interest, over ten years, if the property for which the grants were received should come into production.

